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LONGITECH SMART ENERGY HOLDING LIMITED

隆基泰和智慧能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1281)

DISCLOSEABLE AND CONNECTED TRANSACTION

On 27 April 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the First Agreement and the Second Agreement with the First Vendor and the Second Vendor respectively, under which the Purchaser has conditionally agreed to purchase, and the First Vendor and the Second Vendor have respectively agreed to sell the First Sale Shares and the Second Sale Shares to the Purchaser for an aggregated consideration of HK\$129,978,000.

The First Acquisition

Under the First Agreement, the Purchaser has conditionally agreed to acquire, and the First Vendor has conditionally agreed to sell, the First Sale Shares for HK\$123,479,100. The First Sale Shares represent all of the issued shares of the First Target Company, which in turn indirectly holds 95% of the equity interests in Guangshuo New Energy, a company established in the PRC which owns and operates seven photovoltaic power stations. The consideration will be satisfied by the Company through the issuance of 42,579,000 Shares at the issue price of HK\$2.90 per Share to the First Vendor (or its nominee) at completion of the First Acquisition.

The Second Acquisition

Under the Second Agreement, the Purchaser has conditionally agreed to acquire, and the Second Vendor has conditionally agreed to sell, the Second Sale Shares for HK\$6,498,900. The Second Sale Shares represent all of the issued shares of the Second Target Company, which in turn holds 5% of the equity interests in Guangshuo New Energy. The consideration will be satisfied by the Company through the issuance of 2,241,000 Shares at the issue price of HK\$2.90 per Share to the Second Vendor (or its nominee) at completion of the Second Acquisition.

As at the date of this announcement, Guangshuo New Energy is beneficially held as to 95% by the First Target Company and as to 5% by the Second Target Company. Upon completion of the First Agreement and the Second Agreement, Guangshuo New Energy will become a wholly-owned subsidiary of the Group and its financial statements will be consolidated with the accounts of the Group.

LISTING RULES IMPLICATIONS ON THE ACQUISITIONS

As one or more of the applicable percentage ratios in respect of the Acquisitions (on an aggregated basis) are more than 5% but less than 25%, the Acquisitions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The First Vendor is wholly-owned by Mr. Wei Shaojun, an executive director and the controlling shareholder of the Company, the First Vendor is therefore an associate of a connected person of the Company. Accordingly, the First Agreement constitutes a connected transaction for the Company. As the applicable ratios in respect of the First Agreement is over 5%, the First Agreement is subject to the approval by the Independent Shareholders. As the First Agreement and the Second Agreement are inter-conditional, the Second Agreement would therefore be also subject to the approval by the Independent Shareholders.

GENERAL

The Independent Board Committee, comprising the independent non-executive Directors, will be formed to advise the Independent Shareholders on the terms of the Acquisitions. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisitions.

A circular containing, among other things, (i) further details about the Acquisitions; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisitions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; and (iv) the notice of the EGM to be convened to approve the Acquisitions will be despatched to the Shareholders on or before 22 May 2017.

On 27 April 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the First Agreement and the Second Agreement with the First Vendor and the Second Vendor respectively, under which the Purchaser has conditionally agreed to purchase, and the First Vendor and the Second Vendor have respectively agreed to sell the First Sale Shares and the Second Sale Shares to the Purchaser for an aggregated consideration of HK\$129,978,000.

THE FIRST ACQUISITION

Date

27 April 2017

Parties

Purchaser: Long Ji Tai He Investment Holding Limited, a wholly-owned subsidiary of the Company that is principally engaged in investment holding.

Vendor: Lightway Power Holdings Limited

Subject matter

Pursuant to the First Agreement, the First Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the First Sale Shares, representing the entire issued share capital of the First Target Company. The First Target Company is a company incorporated in the British Virgin Islands and it is interested in 95% of the equity interest in Guangshuo New Energy.

As at the date of the First Agreement, the First Target Company, is indirectly beneficially interested in 95% of the equity interests in Guangshuo New Energy. Guangshuo New Energy in turn owns eleven subsidiaries and operates seven photovoltaic power stations in the PRC.

Guangshuo New Energy was established in 2014 with paid-in capital of RMB116.7 million, of which RMB111 million was contributed by the First Vendor.

Consideration

The consideration for the First Sale Shares is HK\$123,479,100 and was determined after arm's length negotiations between the parties with reference to the consolidated net asset value of Guangshuo New Energy as at 31 March 2017.

The consideration for the First Acquisition will be satisfied by the Company through the issuance of the First Consideration Shares at the Issue Price to the First Vendor (or its nominee) at completion of the First Acquisition.

First Consideration Shares

The First Consideration Shares to be allotted and issued by the Company upon completion of the First Acquisition represent (i) approximately 5.845% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.506% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Conditions

Completion of the First Acquisition will be conditional upon the satisfaction of all the following conditions:

- (a) the Independent Shareholders having approved the transactions contemplated under the First Agreement, including the allotment and issue of the First Consideration Shares;
- (b) the Stock Exchange having granted the listing of, and permission to deal in, the First Consideration Shares;
- (c) the Second Agreement having become unconditional (save for those conditions in relation to the First Agreement);
- (d) the pre-closing obligations as set out in the First Agreement having been completed; and
- (e) the representations and warranties under the First Agreement remaining true and accurate in all respects and there have been no material omission.

The Purchaser has the right to waive conditions (d) and (e) above. If conditions (a), (b), (c) and (d) are not fulfilled before 31 July 2017 or such later date as the parties may otherwise agree, the First Agreement will become null and void and cease to have any further effect save for any antecedent breach.

THE SECOND ACQUISITION

Date

27 April 2017

Parties

Purchaser: Long Ji Tai He Investment Holding Limited, a wholly-owned subsidiary of the Company that is principally engaged in investment holding.

Vendor: Fountain Crest Limited, an investment holding company established in the British Virgin Islands which is beneficially owned by the chief financial officer of the Company, who is an independent third party of the Company for the purpose of the Listing Rules.

Subject matter

Pursuant to the Second Agreement, the Second Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Second Sale Shares, representing the entire issued share capital of the Second Target Company. The Second Target Company is a company incorporated in Hong Kong and its sole asset is its interest in the 5% equity interest in Guangshuo New Energy.

As at the date of the Second Agreement, the Second Target Company, is beneficially interested in 5% of the equity interests in Guangshuo New Energy.

Consideration

The consideration for the Second Sale Shares is HK\$6,498,900 and was determined after arm's length negotiations between the parties with reference to the consolidated net asset value of Guangshuo New Energy as at 31 March 2017.

The consideration for the Second Acquisition will be satisfied by the Company by the issuance of the Second Consideration Shares at the Issue Price to the Second Vendor (or its nominee) at the completion of the Second Acquisition.

Second Consideration Shares

The Second Consideration Shares to be allotted and issued by the Company upon completion of the Second Acquisition represent (i) approximately 0.308% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.290% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Conditions

Completion of the Second Acquisition will be conditional upon the satisfaction of all the following conditions (unless otherwise waived pursuant to the terms of the Second Agreement):

- (a) the Independent Shareholders having approved the transactions contemplated under the Second Agreement, including the allotment and issue of the Second Consideration Shares;
- (b) the Stock Exchange having granted the listing of, and permission to deal in, the Second Consideration Shares;
- (c) the First Agreement having become unconditional (save for those conditions in relation to the Second Agreement); and
- (d) the representations and warranties under the Second Agreement remaining true and accurate in all respects and there have been no material omission.

The Purchaser has the right to waive condition (d) above. If conditions (a), (b) and (c) are not fulfilled before 31 July 2017 or such later date as the parties may otherwise agree, the Second Agreement will become null and void and cease to have any further effect save for any antecedent breach.

COMPLETION OF THE ACQUISITIONS

Completion of the First Acquisition and the Second Acquisition shall take place on the fifth business day (or at such other time as the parties may otherwise agree) after the conditions to the First Agreement and Second Agreement have been fulfilled or waived, respectively. Completion of the First Acquisition and the Second Acquisition will take place at the same time.

CONSIDERATION SHARES

The 44,820,000 Consideration Shares, comprising the First Consideration Shares and the Second Consideration Shares, to be allotted and issued by the Company upon completion of the First Acquisition and the Second Acquisition represent (i) approximately 6.153% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.796% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under a specific mandate to be sought at the EGM. The Consideration Shares will rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and the issue of the Consideration Shares.

The Consideration Shares have a nominal value of HK\$448,200 and a market value of HK\$129,978,000 based on the closing price of the Shares of HK\$2.90 per Share on the Last Trading Day.

Issue Price

The Consideration Shares will be issued at HK\$2.90 per Share. The Issue Price represents:

- (i) equivalent to the closing price of the Shares of HK\$2.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 1.63% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$2.95 per Share; and
- (iii) a discount of approximately 3.85% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$3.02 per Share.

The Issue Price was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the prevailing market prices of the Shares on the date of the First Agreement and the Second Agreement.

Application for listing of the Consideration Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately upon completion of the First Acquisition and the Second Acquisition (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the date of the First Agreement and the Second Agreement and up to completion of the First Acquisition and the Second Acquisition):

Shareholders	As at the date of this announcement		Immediately upon Completion	
	<i>Number of Shares</i> <i>(approximately)</i>	<i>%</i>	<i>Number of Shares</i> <i>(approximately)</i>	<i>%</i>
Mr. Wei Shaojun <i>(Note 1)</i>	431,672,512	59.25	431,672,512	55.82
The First Vendor <i>(Note 1)</i>	—	—	42,579,000	5.51
Sub-total	<u>431,672,512</u>	<u>59.25</u>	<u>474,251,512</u>	<u>61.33</u>
China Create Capital Limited <i>(Note 2)</i>	100,000,000	13.73	100,000,000	12.93
The Second Vendor	—	—	2,241,000	0.29
Other shareholders	<u>196,767,488</u>	<u>27.02</u>	<u>196,767,488</u>	<u>25.45</u>
Total	<u><u>728,440,000</u></u>	<u><u>100.00</u></u>	<u><u>773,260,000</u></u>	<u><u>100.00</u></u>

Notes:

- 1 The Shares are held by Longevity Investment Holding Limited and Harvest Oak Holdings Limited. The First Vendor is wholly owned by Mr. Wei Shaojun.
- 2 China Create Capital Limited is independent of the First Vendor and the Second Vendor and their respective associates.

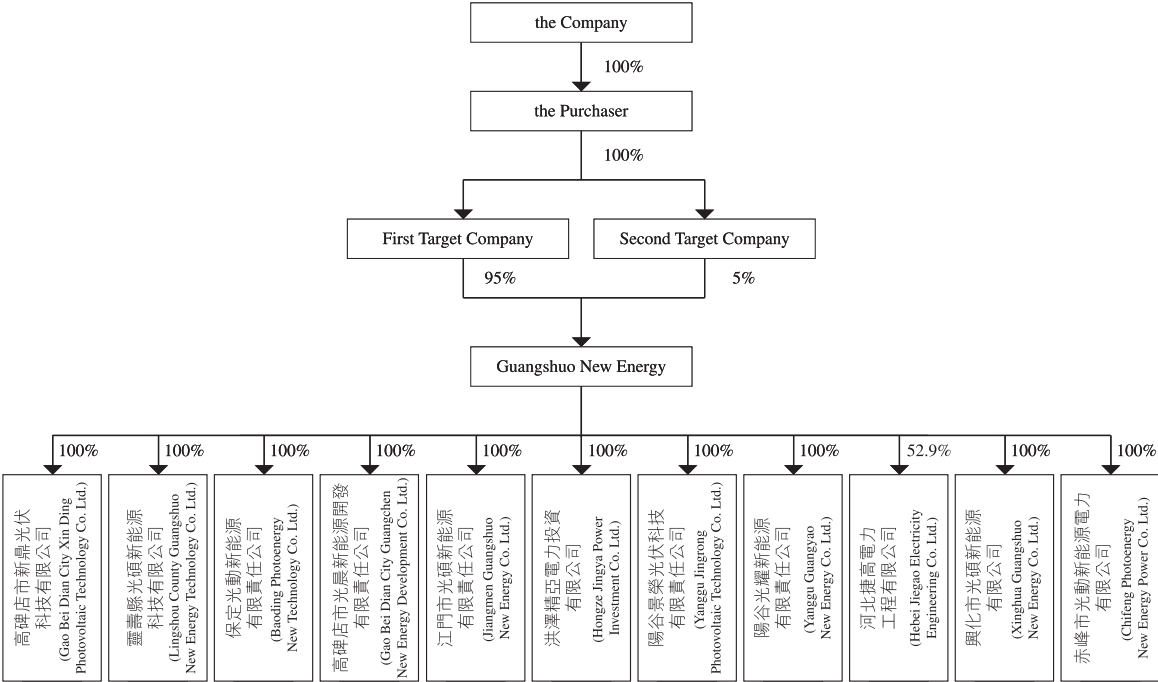
INFORMATION ON GUANGSHUO NEW ENERGY

Guangshuo New Energy is a company incorporated in the PRC and is principally engaged in the developing and operating of photovoltaic power stations. As at the date of this announcement, Guangshuo New Energy is indirectly beneficially owned as to 95% by the First Target Company and as to 5% by the Second Target Company.

Based on the unaudited consolidated management accounts of the Target Group, the net asset value of the Target Group as at 31 March 2017 was approximately RMB123.8 million. The audited consolidated financial results of the Target Group for the two financial years immediately preceding the date of the First Agreement and the Second Agreement (which were prepared in accordance with PRC Generally Accepted Accounting Principles) are as follows:

	For the year ended	
	31 December	
	2015	2016
	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Net profit before taxation	9.5	5.0
Net profit after taxation	9.4	5.0

Upon completion of the Acquisitions, the Company will, through First Target Company and the Second Target Company, own the entire equity interests in Guangshuo New Energy. Upon completion of the Acquisition, all the members of the Target Group will become subsidiaries of the Group, and the financial statements of the Target Group will be consolidated with the accounts of the Group. The simplified shareholding structure of the Target Group upon completion of the Acquisitions is set out below:



Details of the seven power stations operated by the Target Group are as follows:

	Name of power station	Date of connecting to the power grid	Capacity Megawatts
1	白洋淀美蘆莊園 (Baiyangdian Meilu Estate)	February 2015	0.30
2	高碑店胸科醫院 (Gao Bei Dian Chest Hospital)	January 2015	0.09
3	藁城興安 (Gaocheng Xingan)	January 2015	6.63
4	白溝新城 (Baigou New Town)	June 2014	9.52
5	廣東江門凌志 (Jiangmen Lingzhi)	April 2015	1.00
6	洪澤寶利嘉 (Hongze Baolijia)	September 2016	4.77
7	洪澤宇天港玻 (Hongze Yutian Gangbo)	April 2015	1.20
	Total		<u><u>23.51</u></u>

REASONS FOR THE ACQUISITIONS

The Group is principally engaged in smart energy and solar energy businesses.

The acquisition of the Target Group is an extension and enlargement of the Group's solar energy business in the PRC. The Group's solar energy business is currently focused on distributed photovoltaic power stations and home photovoltaic systems. The Target Group's photovoltaic power stations are all distributed stations, which generate stable earnings and cash flow and complement the Group's solar energy business.

The consideration for the Acquisitions will be satisfied by the Company by the allotment and issuance of Consideration Shares to the First Vendor and the Second Vendor respectively at completion of the Acquisitions. Therefore, the Acquisitions will not increase the level of debts and relevant finance costs of the Company. Upon the completion of the Acquisitions, the combined income, earnings and operating cash flows of the Group will increase correspondingly.

Based on the abovementioned, the Directors (excluding the independent non-executive Directors, Mr. Wei Shaojun and Mr. Wei Qiang) consider that the terms of the Acquisitions are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. The opinions of the independent non-executive Directors will

be set out in the Circular to be despatched to the Shareholders by the Company after considering the opinions of the independent financial advisor appointed to advise the Independent Board Committee and the Independent Shareholders.

LISTING RULES IMPLICATIONS ON THE ACQUISITIONS

As one or more of the applicable percentage ratios in respect of the Acquisitions (on an aggregated basis) are more than 5% but less than 25%, the Acquisitions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The First Vendor is wholly-owned by Mr. Wei Shaojun, an executive director and the controlling shareholder of the Company, the First Vendor is therefore an associate of a connected person of the Company. Accordingly, the First Agreement constitutes a connected transaction for the Company. As the applicable ratios in respect of the First Agreement is over 5%, the First Agreement is subject to the approval by the Independent Shareholders. Mr. Wei Shaojun, Mr. Wei Qiang, who is the son of Mr. Wei Shaojun, and any of their respective associates will abstain from voting at the EGM in respect of the resolutions relating to the Acquisitions.

As the First Agreement and the Second Agreement are inter-conditional, the Second Agreement would therefore be also subject to the approval by the Independent Shareholders.

GENERAL

At the Board meeting held to approve the Acquisitions, Mr. Wei Shaojun and Mr. Wei Qiang, who is the son of Mr. Wei Shaojun, were considered to be interested in the transactions contemplated under the Acquisitions and have abstained from voting in respect of the resolutions proposed to approve the Acquisitions.

An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisitions. The Independent Board Committee, comprising the independent non-executive Directors, will be formed to advise the Independent Shareholders on the terms of the Acquisitions.

The Circular containing, among other things, (i) further details about the Acquisitions; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in the same regard; and (iv) the notice of the EGM to be convened to approve the Acquisitions will be despatched to the Shareholders on or before 22 May 2017.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisitions”	the First Acquisition and the Second Acquisition;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	LongiTech Smart Energy Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1281);
“Completion”	completion of the First Acquisition and the Second Acquisition;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration Shares”	the First Consideration Shares and the Second Consideration Shares;
“Director(s)”	the director(s) of the Company;
“EGM”	extraordinary general meeting of the Company to be convened to approve the Acquisitions;
“First Acquisition”	the acquisition of the First Sale Shares pursuant to the terms of the First Agreement;
“First Agreement”	the sale and purchase agreement dated 27 April 2017 between the Purchaser and the First Vendor in relation to the purchase of the First Sale Shares by the Purchaser;
“First Consideration Shares”	42,579,000 Shares to be issued by the Company to the First Vendor (or its nominee) to satisfy the consideration for the First Acquisition;
“First Sale Shares”	the entire issued share capital in the First Target Company;
“First Target Company”	Lightway Power Limited, a company incorporated under the laws of the British Virgin Islands;

“First Vendor”	Lightway Power Holdings Limited, a company incorporated in the Cayman Islands, which is wholly-owned by Mr. Wei Shaojun, an executive Director and the controlling shareholder of the Company;
“Guangshuo New Energy”	高碑店市光碩新能源有限責任公司 (Gao Bei Dian City Guangshuo New Energy Co., Ltd.), a limited liability company established in the PRC;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, established pursuant to the Listing Rules to give recommendation to the Independent Shareholders in respect of the Acquisitions;
“Independent Shareholders”	Shareholders other than Mr. Wei Shaojun and his associates;
“Issue Price”	HK\$2.90 per Share;
“Last Trading Day”	26 April 2017, the last full trading day of the Shares prior to the date of the First Agreement and the Second Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan;
“Purchaser”	Long Ji Tai He Investment Holding Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;

“Second Acquisition”	the acquisition of the Second Sale Shares pursuant to the terms of the Second Agreement;
“Second Agreement”	the sale and purchase agreement dated 27 April 2017 between the Purchaser and the Second Vendor in relation to the purchase of the Second Sale Shares by the Purchaser;
“Second Consideration Shares”	2,241,000 Shares to be issued by the Company to the Second Vendor (or its nominee) to satisfy the consideration for the Second Acquisition;
“Second Sale Shares”	the entire issued share capital in the Second Target Company;
“Second Target Company”	Shining Delight Limited, a company established in Hong Kong;
“Second Vendor”	Fountain Crest Limited, a company established in the British Virgin Islands;
“Shares”	shares of nominal value of HK\$0.01 each in the share capital of the Company;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Target Group”	Guangshuo New Energy and its subsidiaries.

By order of the Board
LongiTech Smart Energy Holding Limited
Wei Shaojun
Chairman

27 April 2017

As at the date of this announcement, the executive Directors are Mr. Wei Shaojun, Mr. Wei Qiang, Mr. Li Haichao and Ms. Zhen Xiaojing and the independent non-executive Directors are Mr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping.